

SPEAKER BARRETT: Senator Vard Johnson, please, on the Schmit amendment, followed by Senator Hall.

SENATOR V. JOHNSON: Mr. Speaker and members of the Legislature, I was going to rise and suggest that you support Senator Schmit's amendment but I realize as I sat here and listened to Senator Conway speak and I thought about it that you cannot vote for Senator Schmit's amendment. You can't vote for Senator Schmit's amendment because his amendment does absolutely nothing, does absolutely nothing except cause some Nebraska business to simply go to South Dakota to do business. Unfortunately during the great usury debates of 1979 led by Senator Schmit, of 1980 led by Senator Schmit, and of 1981 led by Senator Schmit, the lessons that we learned were these. Number one, a bank in Nebraska may charge as interest whatever the highest allowed interest is. So, if, in fact, the consumer small loan interest for the small loan companies is 24 percent, then under national banking laws and court decisions, thereof, a Nebraska bank can charge 24 percent even though your usury law says 12 percent. There is a Gresham's law in operation on interest rates, and Gresham's law is that the bad drives out the good, so the highest rate that the state allows ultimately becomes the standard for national banks pursuant to the National Banking Act, and a Supreme Court decision on that point. Secondly, we have now learned of the mobility of money and of credit. When Bill Janklow, Governor of South Dakota, decided to deregulate it, decided that South Dakota would become a pathfinder, a trailblazer on usury by simply saying that there will be no usury laws in South Dakota, and making banking operations easier there, the first company to move to South Dakota was Citicorp out of New York City, and Citicorp set up its credit card business in South Dakota. It set it up in South Dakota because whatever rate it established under the nonusury laws of South Dakota, it could use nationally. They could use it nationally, and we couldn't stop it, and we couldn't stop it. So, I remember in 1981 being a fairly strong proponent of the strong usury laws, I just threw in the towel. I just threw in the towel. I said, you know, it is so clear at this time in our social history that we, as a society, don't even have the tools on a state level to deal with usury laws. So, let the banks have their way, let them do as they want to do. Let us hope that enough consumers beware and don't pay those exorbitant interest rates, don't pay that 18 percent or 19 percent on the credit cards, and simply go elsewhere if they can find an elsewhere to go to because there is very little that we can do